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Post-crisis Belarus: Marxism and the lender of last resort

Heather Bell, Robin Bell*

Worcester Business School, University of Worcester, Worcester, United Kingdom

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ABSTRACT

Existing literature has examined the predictions and proscriptions of Karl Marx in response to the 2008 global financial crisis. However, the suggestions put forth by the Marxist-leaning literature never took hold and state-level banking and finance policies have remained largely unchanged. While many criticisms of Marxism exist, this paper examines Belarus, a ‘neo-communist’ or ‘market-socialist’ state, to provide a new perspective on the continuation of capitalism in the United States and Europe. In the case of Belarus, the International Monetary Fund and the Eurasian Economic Community's Anti-Crisis Fund provided both the critical liquidity needed to temporarily quell the effects of the financial crisis. Their demands meant that Belarus agreed to speed its move away from the Soviet-era finance and banking policies and more towards its western capitalist neighbors. Its failure to implement these policies further hurt its recovery. Examining Belarus' path to and out of its financial crisis makes apparent that the role of the international lender of last resort (LOLR). The LOLR acts as a key element in protecting states embroiled in the financial crisis from facing the possibility of making the difficult policy changes put forth by the Marxist literature. By ignoring its promises under the loan conditions from its LOLRs, Belarus moved further from the recovery promised by the Marxist suggestions.

1. Introduction

Following the start of the 2008 financial crisis, the literature began to discuss the predictions of Karl Marx, drawing parallels to Marx's predictions of the global financialization of capital and the subsequent weakening in power of workers to negotiate (Carver, 2009; Shulman, 2012; Sklansky, 2012; Sustar, 2013; Tabb, 2010a, 2010b). Interestingly, Sustar (2013) claimed that even the Tea Party represented Marx's analysis of the middle class with its “angry and resentful” attitude toward big business while remaining procaptialist and conservative. Some more extreme papers pondered the implosion of capitalism and a new, left-leaning system taking its place. Hobsbawm and Rutherford (2011, p. 140) stated that “the most promising road forward for the left is to attack the failure of our economies to understand the depth of the crisis of capitalism since 2008 – a crisis which, as is increasingly evident, is far from overcome in the Atlantic countries and Europe.” The ways in which Marx's crises theory addressed financial overextension (Tabb, 2010a, 2010b) and called for reform (Buiter, 2008) were discussed as news outlets highlighted the increased attention paid to Marx, played out to some respect via “Occupy” movements across the United States and Europe.

* Corresponding author.
E-mail address: r.bell@worc.ac.uk (R. Bell).
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However, United States and European policy has not reacted to the financial crisis by meaningful left-leaning reforms. Outside the long-standing criticisms of Marxism, it is useful to examine Belarus, a European former Soviet state that did not transition or westernize its economy to the same extent as its neighbors and maintained some socialist policies, to show why the recommendations of the Marxist literature have remained largely ignored. The path Belarus followed towards capitalism has been unlike that of its Eastern European neighbors, making it an example of how a less-capitalist European, market socialist state embroiled in the global financial crisis responds. In the height of the financial crisis, it turned to western, market-oriented mechanisms and accepted aid from international lenders of last resort (LOLR), agreeing to change its internal policies in order to do so. It used these mechanisms but ignored its reform promises, further hurting its recovery. By examining Belarus' financial crisis, it can be shown that the philosophies and recommendations espoused in by Marxist-leaning literature fail to inspire policy change because they fail to adequately address the role of the modern international LOLRs. Furthermore, the recommendations fall flat when observing how, by Belarus failed to speed its path towards a more open market-based economy, its recovery has been hampered.

2. Marxism – A brief review

When examining Marxist-oriented literature, it raises the question of "which Marxism?" This paper will not be able to adequately cover the breadth of the schools of Marxism but will look at trends and modern-day approaches to applying Marxism to the financial crisis. Shulman (2012) refers to Marxism as the "analysis of the specific historical transformations of 'capitalism' and resistance to it, by way of 'class struggle'." For this article, a Marxist-oriented literature will be defined as literature that identifies the perceived contradictions and shortcomings of capitalism, challenges capitalism as to identify its weaknesses, and ultimately, envisions a post-capitalist world where the identified contradictions are no longer in existence (Burawoy, 2000).

Following the death of Karl Marx, branches of Marxism emerged to build on Classical Marxism's philosophies. The schools of Marxist thought since Marx's original writings have continuously strived to bridge the gap between ideas and real-world practice. For example, Orthodox Marxism emerged in between the Franco-Prussian War and World War I, focusing on scientific and methodological approaches to the study of society and economics. It was move to refocus away from criticisms of Classical Marxism's ambiguities with respect to society and political action. The years following World War I saw Marxism implemented politically via Marxism-Leninism and the emergence of the Communist state. Western Marxism stood in contrast to Communism among European scholars, who were concerned with how an industrial society affected the individual (Bronner, 1990). In the 1960's, a "Marxist revival" occurred in some academic pockets in the United States and challenged the strong anti-Communist sentiment espoused during the height of the cold war (Burawoy, 2000). Analytical Marxism emerged prior to the collapse of the Soviet Union and attempted to bring the philosophy in line with more modern philosophical approaches by incorporating rational choice theory.

Following the collapse of the Soviet Union, Marxism was largely dismissed by most policymakers, and the academic literature in defense of Marxism sought to identify the gaps between Marxism, Soviet Marxism and Soviet Communism. During the 1990's, political science research on the whole turned away from general theories of economic and social change, with Marxism coming under extensive criticism (Lafferty, 2000). The fall of the Soviet Union was to many a death knell to the legitimacy of Marx's real-world applicability (Burawoy, 2000). Some research then turned to defend Marxism by focusing on the ways that the Soviet Union had never been a true embodiment of the Marxist ethos. Since the early 1990's, discussion has surrounded whether the collapse of the Soviet Union was a collapse of Marxism and communism, or whether it was a collapse of a system that never achieved the monist Marxist doctrine it espoused. Questions focused less on the applicability of Marxism and turned more towards whether Marxism always resulted in a totalitarian regime, since applications of Marxism in other countries have similarly resulted in such systems (Femia, 1993). While it is difficult to apply the term "Marxism" to any national system without ample room for debate, there is little doubt that Soviet Communism was not so much an ideal implementation but more of a mutation of Marxism (Femia, 1993, Kolakowski, 1977). However, any embodiments of political science philosophies have deviations from their ideological baseline elements.

The tide has recently turned on Marxism's affiliation only with authoritarian and/or failed regimes. "Occupy" and "99 Percent" movements embraced by some who live in Western countries that encountered the financial crisis have been characterized as a renewal of class struggle (Harvey, 2010). It was seen as a social movement of many elements and languages, without a fixed agenda but working under the auspices of an "occupation" necessary to bring about change and the establishing of new ideals. At the same time, it was the embodiment of the sense of loss and anxiety in western cultures (Shulman, 2012). Similarly, the academic community revived its interest in the predictions of Karl Marx, resulting in publications highlighting the applicability of Marx's predictions to the financial crisis.

3. Post-crisis Marxist literature predicted a systemic change in the global financial system

Marxists-oriented literature maintains that the 2008 financial crisis was "the moment when capitalism's contradictions and the limits to the development of capital (that are inherent in capital itself) emerge." (Giacché, 2011). Tabb (2010a, 2010b) lays the blame for the financial crisis on what Marx described as a "new aristocracy of finance." Davies (2011) points to "zero-sum capitalism" as the enemy.

The Marxist-oriented literature examines the changing nature of capital, its flight from production and application instead to speculation in many western economies (Giacché, 2011; Tabb, 2010a, 2010b). The result was overproduction of capital and commodities, driven by speculation and masked by market bubbles. The resulting depression in demand for commodities paired with a lack of capital able to find valorization. The two emerged quickly and deflated market bubbles, leaving individuals, business owners, and banking financiers without means to repay their debts. Some scholars pointed out that the inability for anyone to legitimately predict the full scale of the financial crisis as another element predicted by Marx's work.

The fall in profits is a main tenant when examining the causes of the financial crisis. Giacché (2011) points out that almost all major western capitalist countries saw profits stagnate or fall in the decades preceding the financial crisis, but categorizes falling profits as an indirect cause, as does Kliman (2009). However, Perri (2011) characterized the falling rate of profit as one of the key factors that caused the economic crisis.

Many authors examine the growth in social and economic inequality between the rich and poor, suggesting that the working class has been subjugated at the hands of profit-seeking financiers (Giacché, 2011; Hobsbawm & Rutherford, 2011; Panitch, 2009; Tabb, 2009). The literature highlights inequality that has created a de-facto single working class, dependent on credit cards and mortgages to maintain a false middle-class living standard while their bargaining rights suffered at the hands of weakened trade unions. In addition, social welfare lost its place as a top governmental priority as legislators saw the purported benefits of capitalism and responded to lobbyists protecting their interests by slashing social safety nets and societal protections. The parallels between the current situation and Marx's warnings of the rising exploitation of labor have been a key factor in explaining the financial crisis and looking for solutions.

Marx acknowledges that the path out of financial crisis would be different for different countries, and many themes emerge with respect to suggested paths out of the crisis. Davies (2011) maintains that any sustainable recovery will need to involve new mechanisms of production, ownership, and lending that are not subject to the bubbles and whims of the global financial market. Hobsbawm and Rutherford (2011) suggests that Marxists should exploit the misunderstanding of the true consequences of the “crisis of capitalism” and use political leverage to swing decision makers left to ensure equitable social and economic distribution of resources. Marx's call for the “centralization of credit in the banks of the state” has been put forth as a solution to the financial crisis. Even ardent capitalists have suggested solutions that lean heavily to the left. For example, Buiter (2008) has called for the end of the privatization of the financial sector and the creation of a public finance utility in the United States. He maintains that private finance no longer contributes to society when it is able to take unmitigated risks with little private insurance, knowing that the public sector will provide a way out. Indeed, the “too big to fail” response to private banking crises awakened an outcry among followers of Karl Marx and Adam Smith alike.

This brief overview of Marxist literature's reaction to the financial crisis might suggest that a new perspective on capitalism would be a likely outcome of the economic crisis and that leftist ideology would find new footing. However, when considering the causes and effects of the financial crisis, these works do not explain the case of Belarus. By examining Belarus' unique path since the collapse of the Soviet Union, its motivations behind its choices, and its reaction to the financial crisis, it is possible to see how and why the financial crisis affected it differently than the rest of Europe. Its embrace of international LOLRs and problems after failing to reform weaken the argument that the teachings of Marx could be applied to 21st century western economies.

4. Belarus embraces a social market economic structure

While this paper examines Belarus in a context of Marxism's reemergence and subsequent dismissal in policy conversations, it cannot be mistaken to argue that Belarus is a Marxist or even a Marxist-Leninist state. Marxism exists in Belarus more as a nation-building point of history. In addition to the oft-mentioned Minsk streets bearing Marx's and Lenin's names, the First Congress of the Russian Social Democratic Working Party was held secretly in Minsk in 1898, its location restored and open to the public as a museum showing the covert birth of the Communist Party in the Soviet Union (Medish, 1963). Rather than Marxist, Belarus' post-Soviet path, is one that led to a “social market” economy that retained some of its centralized targeting of production and wages as well as ownership in many of its largest industries. Although its economic structure was not the result of a strong ideology in favor of its Marxist-Leninist roots, it provides an interesting example of a country between free market capitalism and the market-eschewing nations encouraged by Marxist literature.

If it can be argued that finance is the biggest industry of the twenty-first century (Sklansky, 2012), in Belarus, the situation is markedly different. As most Western and Eastern European businesses and industries depend on money lent by commercial banks (even if said industries benefit from state subsidies vis-à-vis protectionism and tax breaks), their respective states have separated the owners of capital from their industry's management via stock markets and commodities exchanges. Belarus, conversely, prior to the financial crisis, had continued to centrally hold the largest stake in many of its most crucial industries.

Some of Belarus's pre-financial crisis policies were similar to its neighbors, but with different motivations. The Baltics were maintaining a currency peg to the Euro prior to the financial crisis in order to meet the standards to enter into the Eurozone. Belarus, conversely, maintained its currency peg but did not seek EU membership, pursuing its own internally-focused policies. However, while Pourchot and Stivachtis (2014) argue that Belarus is in the process of strengthening its economic ties with the European Union at the expense of a stronger union with Russia, it is never certain that Belarus' government will choose to look either eastward or westward, but rather toward strategy and opportunity.

In addition, Belarus has continued to follow an output-based target system for its economy. Quantitative targets are set in place by ministries and administrative territories. Targets determine production and state-owned enterprises and government-supported companies must adhere to the mandated targets. A 2014 IMF report criticized the wage-setting structure, also based on targets rather than production, and both private and state-owned enterprises are affected by these targets. Because of these targets, there is very little regional and sectoral variation in wages outside of Minsk (IMF, 2014), and thus, Belarus had a relatively low Gini index in the late nineties and early twenty-first century (World Bank, 2015).

4.1. Background — Post-Soviet Belarus turns toward a social market economy

Belarus' economic transition followed a markedly different path than former Eastern bloc and European post-Soviet states following its separation from the Soviet Union (Izyumov & Vahaly, 2008). While many Eastern European states looked westward towards EU membership and sought integration, Belarus ultimately hunkered down and tried to continue more closely to its prior system. Belarus' European post-Soviet neighbors opened up their markets to foreign investors and by 2008, foreign-owned banks controlled most of the lending market. Belarus, conversely, kept the majority of its industry state-owned, and neither did it welcome foreign investment. Nor did Belarus follow Russia's shock therapy approach to abrupt privatization of industries.

In the early 1990's, Belarus did not have the same incentives or needs as its neighbors to privatize. It lacked the investors needed to implement a "shock therapy" plan like Russia (Lych, 1996). Nor did it have the inclination towards membership in western multinational organizations like the European Union (EU), a system that heartily encouraged its eastern neighbors to adopt western-style capitalism by extending the promise of development funds after meeting membership criteria (White, 2011). When asked in a referendum in 1991 whether they wanted the Soviet Union to continue, 83% of Belarusians voted in favor (White, 2010).

A principle and oft-cited reason that Belarus resisted the siren calls of development funds is that it appreciated a well-functioning industrial infrastructure that Belarusian leadership believed would be its path forward after the transition in the early 1990s. Belarus had known greater prosperity as a result of its inclusion in the USSR than did its neighboring Soviet Republics. During the latter half of the 19th century and the beginning of the 20th century, Belarus' stagnated manufacturing sector saw Belarus as the poorest region within European Russia (Ioffe, 2004).

The Second World War had taken the lives of a quarter of Belarus's inhabitants and leveled three quarters of its towns and regions, destroying the entire capital of Minsk (Ioffe, 2004). Belarus's clean slate meant the post-war reconstruction period turned the young Soviet Republic into an industrial center and brought relative prosperity. The Soviet government invested in capital development, and as a result Belarus increased its industrial output between 1940 and 1986 to a level far exceeding its neighboring Republics, and it was fifty percent greater than the average of the entire USSR. Its output was matched by a strong light industrial and thriving agricultural sector. Consequently, the growth rate of income per capita between 1970 and 1986 was greater than any other Soviet Republic (Ioffe, 2004).

In addition, the Soviet Republic of Belarus consistently produced goods of higher quality relative to its neighbors and was given the USSR's quality logo on more of its products than any other Republic (Ioffe, 2004). The quality factor would remain important after Belarus' independence, as it would not need to change its industries to compete outside the closed Soviet system. Belarus was thus better able to weather the great economic challenges of post-Soviet states, that is, an internal adjustment to competing with international export competition and a structural change in command-style economies (Pop-Eleches, 2008).

Since the relative prosperity and growth in Belarus was so much greater than its European neighbors, Lych (1996) argues that the large quantity of established industries able to produce high-quality goods which could compete on the international market lessened the urgency to privatize and reform. The World Bank observed in 1995 that Belarus had privatized fewer industries than any European post-Soviet states-only thirteen percent of its state-owned enterprises and organizations had privatized or been converted to joint stock.

Many post-Soviet states chose incumbent leaders who ran the previous administration to manage their new institutions; however, Belarus's first government was post-Soviet leader and head of state, Stanislau Shushkevich, was an academic physicist (Ioffe, 2004), who advocated for market reform, although he was opposed by most of the parliament and the prime minister Vyacheslav Kebich, who believed the future lay in alliance with Russia. Lych (1996) argues that key economic specialists were veterans of the administrative-command.

Whereas Belarus had outperformed its Soviet neighbor republics, it began to lag behind its post-soviet neighbor states. Its GDP, output and trade declined at a rate faster than other CIS states each year between 1993 and 1995 (Lych, 1996). Between 1993 and 1994, prices rose and real per-capita income fell. Older Belarusian voters, who outnumbered their younger counterparts in voter turnout, were haunted by memories of poverty and were thus reluctant to embrace market reforms as they saw their living standards beginning to slip (Ioffe, 2004; Lych, 1996).

The Belarusian population elected Alexander Lukashenko in 1994 following a campaign run on an anti-corruption platform, and in him they saw someone from common roots who would "unabashedly fight the nomenklatura." The pain inflicted by overly slow market reform had soured the Belarusian people not only on reform, but on their implementers. The first year that followed his presidency saw a drop in the already-low rate of privatization. Two years later, Lych (1996) reported that Belarus' progress towards market reform had thus far been carried at a slow pace in relation to its neighbors. Their choice was carried forward, as Belarusians saw few opportunities to vote for opposition candidates in the elections that followed and Lukashenko has continued to win each presidential election held since his first (Bader, 2012).

In the subsequent years before the global crisis, Belarus remained dependent on cheap fuel imports from Russia. Its location on the transit route for both oil and natural gas pipelines, along with its close relationship with Russia, has seen Belarus the beneficiary of preferential, non-market based pricing schemes for fossil fuels (Newnham, 2011). Belarus has additionally been able to sell these commodities to its Western neighbors at market price (Tsygankov, 2012), and estimates indicate that ten to thirteen percent of Belarus' GDP came from these subsidies (EBRD, 2007; Ioffe, 2004). In 2006, Belarus was receiving the same thousand cubic meters of gas from Russia that was sold in Europe for one hundred dollars for less than half that amount (EBRD, 2007).

Furthermore, a key non-petroleum export, Potash, primarily produced by state-owned Belaruskali, had been receiving above-market price protection by entering a partnership with Russian firm Uralkali and creating an informal cartel. Russia's growing economy in the early and mid-2000's increased demand for capital goods that Belarus was able to supply, with easy access to Russian markets, integrated supply chains, providing a boost to Belarus' competitiveness (EBRD, 2007). With these relationships, Belarus had few incentives towards speeding its transition from a centrally controlled system of largely state-owned enterprises.

Internally, its wage and output targets had a positive, if not sustainable, impact on domestic demand (IMF, 2010). Additionally, Belarus never developed strong policies to support development of business, neither with the general population, nor, unlike Russia, with the country's oligarchs. According to EBRD, its private sector share of GDP remained at twenty five percent from 2002 until 2007 (EBRD, 2008). The majority of the population still works either in the public sector or for wholly or partially state-owned enterprises. Until 2006, Belarus had a 'Golden Share' rule, granting the government the right to exercise a majority vote in any private company by introducing a preferential share, and undermining the development of foreign direct investment (Korma Regional Executive Committee, 2008). The level of entrepreneurship in Belarus is much lower than that of its neighbors, including Russia, and small and medium enterprises account for only ten percent of the economy (Akulava, 2012).

Belarus has described itself in policy documents as a "socially oriented market economy" characterized as "a competitive market economy with mixed state and market ownership on an equal footing supported by social welfare policies." (Nuti, 2005, p. 101). It been described as a market economy, but one that avoids market reform and has sustained itself and minimized the impact of disruption through, "strong state intervention in the economy, which has included subsidies to unprofitable enterprises, administrative price controls" and (at times) "inflationary currency emission" (Rontoyanni, 2005, p. 131).

These drivers of the Belarusian economic choices show that rational self-interest and strong existing infrastructure and institutions led Belarus to keep many of its existing systems and allow them to continue with fewer post-Soviet economic reforms than their neighbors and avoid risking the fall-out from a disruption in the systems and processes that had brought them out of near-destitution and into relative prosperity.

4.2. Belarus enters the global financial crisis

Belarus initially weathered the global financial crisis better than its neighbors and trading partners. The state's grip on industry and the strongly centralized powers allowed the administration to directly steer the country away from the crisis as it swept through Europe, the United States, and Russia. State ownership of many industries allowed the leadership in Minsk to control the behavior of large economic actors aimed to increase domestic demand in the face of decreasing exports (Kruk, 2013). The tactics worked initially and superficially. Belarus was one of only two Eastern European countries to see a positive—albeit small—growth in Gross Domestic Product (GDP) in 2009 and it was able to keep its currency peg of 3000 Belarusian rubles to the U.S. dollar. The following year, its GDP increased by 7.7 percent, despite its exports to the Euro Zone dropping by almost 45 percent in 2009 and largely stagnating in 2010 (European Commission, 2013).

Eventually, stimulating domestic demand was not enough to offset the dip in trade by its main trading partners Russia, Ukraine, and the European Union (primarily Germany and the Netherlands) (United Nations Statistics Division, 2013), many of which depreciated their currency to stay competitive. By June of 2009, the countries at the heart of the financial crisis began to migrate towards the perceived security of the U.S. dollar. The Russian Ruble began to depreciate against the dollar, as did the Ukrainian Hryvnia. The Euro followed suit at the end of the year. Belarus initially tried to hold fast to its currency peg. Exports suffered as the real price for Belarus's goods increased with respect to its trading partners. Its foreign currency reserves dwindled as it became less globally competitive. Increasingly, Belarus was unable to make up for dips in export.

By 2011, Belarus's ability to command its way out of the financial crisis was dwindling. It was facing a balance-of-payment crisis, with shrinking foreign currency and gold reserves. It depreciated its currency and by end of year, the ruble had dropped to almost a third of its value with 8500 Belarusian rubles to the dollar. Consumer prices grew by 107 percent (Bornukova, 2012), driven mainly by a sudden increase in the prices of imported goods. The price fluctuations more greatly affected the higher income earners purchasing imported goods, as many essential domestically-produced goods and services were subject to price controls. While the prices of many goods increased, long-standing price controls meant that much of the population was somewhat shielded from the entire effect of the rise in inflation. Domestically-produced items not subject to price controls, for example meat and poultry, saw a rise in price almost in percentage parity to the exchange rate depreciation (Bornukova, 2012).

More harmful to the average population, and especially to pensioners, was the drop in real income and the depreciation of their Belarusian ruble-based savings. The average real income of a Belarusian decreased by fifteen percent in 2011 compared to the year before. Pensioners saw their stipends fall in real terms by 29 percent. The percentage of the population that fell below the poverty line more than doubled from the beginning to the end of 2011 (Bornukova, 2012). It could have been argued that the fall in real income for pensioners would be the greatest threat to the Belarusian system. It is the pensioners who by majority believe that the demise of the Soviet Union was a mistake and support the resistance to westernize (White, 2010). It follows that a failure in the current system could have hurt that support. Lukashenko attempted to placate the pensioner population by increasing pensions ahead of the 2010 presidential election, furthering the financial crisis but maintaining support for the current system.

5. Belarus' path out of crisis

Belarus's journey into, and initial response to, the financial crisis was markedly different from its neighbors, but its overall attempts to repair its economy is an area where it converges with its western counterparts. The path Belarus took in seeking a way out of the financial crisis puts it in demonstrated contradiction to the Marxist literature advising on paths out of the financial crisis. Belarus paid lip service to LOLRs, agreeing to concessions that would take the economy on a more wholly market-based path. The international LOLRs made conditions for the loans, bringing Belarus more greatly in line with the western policies that Marxist literature blamed for the crisis.

Prior to its 2011 crisis, Belarus sought and accepted a 2.5 billion dollar loan from the International Monetary Fund (IMF) in 2009 to bolster their gold and foreign currency reserves and to support the fixed exchange rate. In return, Belarus agreed to undergo a fifteen-month economic reform program. As Belarus began to feel the full effects of the financial crisis in 2011, the IMF later increased the loan amount to 3.5 billion, and Belarus agreed to implement structural reforms aimed at improving macroeconomic policy in the real economy. Belarus later accepted a 3 billion dollar loan from the Russian-led Eurasian Economic Community's Anti-crisis Fund. The Community's loan came with conditions, including the sale of 7.5 billion dollars in state-owned assets (many of which Russia had interest in purchasing) and increased bank lending to the economy ("Belarus Ratifies Treaty," 2009).

6. The international lender of last resort

The LOLR solidified its role as a crucial lifeboat for many countries during times of financial crises during the late nineteenth and early twentieth century, when many countries experienced runs on banks simultaneously with currency crises (Goodhart & Illing, 2002). Originally, it was a country's central bank that played the role of LOLR to cushion liquidity shocks. As globalization connected economies, financial crises were increasingly an international problem for stats rather than a domestic issue. Capital flows began regularly crossing borders, and thus, a financial crisis in one country could affect the situation in another. The risks associated with such interconnectivity were identified as the "international financial contagion risks" and the response to these risks was to internationalize the role of LOLR (Huang & Goodhart, 2000).

In the 1990s, the literature began to examine the increasing role of an international LOLR, that is, it began to ask about the appropriateness of a multinational organization or institution acting as LOLR to an entire country's banking system. This debate was framed by an acceptance in the 1990s of the greater efficiency on the macro level appreciated by countries that were open to international capital flows (China and India's growing economies during this period aside) (Fischer, 2002). To accept the principle that international capital flows increased overall well-being, it was also necessary to accept that financial crises must be kept at a minimum, thus bringing to the forefront the crucial role of the international LOLR.

The IMF, has become principal international LOLR, although its founders deliberately wrote its Articles of Agreement to avoid the IMF taking on this role. However, Boughton and Lombardi (2009) and Calomiris (1998) argue that the IMF has been going in the direction of becoming principal international LOLR since the end of Bretton Woods in the 1970s. Russia led the way towards a Eurasian international LOLR when it created the Anti-crisis Fund for the Eurasian Economic Community (EEC) in 2009. Its primary goal is to assist EEC members (Russia, Belarus, Kazakhstan, Kyrgyz Republic, and Tajikistan) hardest hit by the financial crisis (EurAsEc Anti-Crisis Fund, 2013). As with the IMF, the monies in the EEC's Anti-crisis fund are available with conditions for its recipients.

Intervention by a LOLR invites criticism; its very existence possibly contributing to a suspension of market discipline by taking away the risk of failure. This stands in contrast to the original Bangehot LOLR principle to "lend freely, at a high rate, against good collateral," Any LOLR must have "technical autonomy and effective sanctioning power" (Giannini, 1999, 2). Giannini (1999, 1) argued that the only way to minimize the moral hazard associated with an LOLR was to rely on the "broader legal and institutional setup—on regulation in the broadest sense of the word." However, in light of international organizations legitimacy coming from a critical mass of members and the buy-in of those, international LOLRs depend on the cooperation of state-level leaders to maintain its ability to lend funds with conditions attached. Often international LOLRs make loans without such collateral prerequisites as their state-level counterparts, but instead make conditions for the loans that countries adhere to when accepting the bailout funds.

When Belarus accepted IMF assistance, it also accepted IMF's conditions for greater privatization, its critiques, and its guidance. The IMF's goal for Belarus includes tightening of monetary, budget, and tax policies. Belarus furthermore agreed to reforms in its exchange rate policy (Lis & Koliadina, 2012). Belarus's acceptance of assistance from the EEC Anti-crisis Fund meant it agreed to sell some of its state-owned industries to Russia and further privatize other industries, as well as agreeing to reform monetary, budget and tax policies, with some emphasis on easing tariffs between Belarus and other EEC members.

That a post-Soviet state would promise reform when offered a lifeline by a LOLR is not a new concept. Pop-Eleches (2008) argued that regardless of a state's ideological differences with market capitalism, in Eastern Europe, states that were experiencing hard currency crises were more likely to seek and accept assistance from the IMF during the 1990s. His analysis found that Eastern European states with reformist-minded governments were statically equally as likely as states whose governments resisted reforms to make necessary concessions needed to enter IMF programs. In Belarus, in 2010, the prospect of an upcoming election paired with a hard currency shortage saw the government ready to set aside their partisan differences with the IMF and agree to implement the requisite privatization programs for IMF assistance. In fact, it had begun to look to privatization to solve its hard currency problem before seeking IMF assistance as a way out of its financial crisis. In times of strong inflation (over 140 percent), former communist states in Eastern Europe are far more likely to initiate IMF-style reforms.

Although some Marxist literature heralded the remarks by Buiter (2008) that private finance, with its risks and bubbles, should give way to the public sector to regulate and control, Belarus, already with a strong grip on its financial system, was promising to open itself up to the global financial system and decrease its strong tradition of state ownership. It promised to deviate from its own mechanism of production, ownership, and lending (championed by Davies (2011) as a way out of the crisis) and go towards the uncertainties of the global financial market that Davies (2011) said was the wrong path from the crisis.

It should not be argued, however, that Belarus sprung into reform upon agreement to the terms of the international LOLRs (IMF, 2013). In a 2012 report, the IMF noted that Belarus has made little progress in its market reforms and has reversed some of the price liberalizations put into place in 2009–2010. The IMF criticized Belarus for continuing to focus on output (rather than profit), at the expense of efficiency, as well as its distortions of market indicators as a result of government-controlled investment, the dominance of state-run banks, and an inflexible labor market (Lis & Koliadina, 2012). In addition, Belarus's last tranche of the EECs Anti-crisis Fund was delayed in late 2013, as it had not yet met the reforms and privatizations necessary for continued support of the EEC ("Decision on Sixth Tranche," 2013). Furthermore, while a country can attempt to control its banking sectors, it has a more difficult time controlling its population's trust, and many of Belarus' citizens prefer foreign currency. Although Belarus agreed to market-focused reform, its lag in their implementation has been cause for further issues (rather than their salvation), including slow growth, trade imbalances, and pressure on banks that are experiencing shortages in ruble funding (IMF, 2014).

The connection to the Marxist literature can be seen in the steadfast nature of the international LOLR. Ultimately, the international LOLRs, although dependent on quotas given by the very countries hit hardest by the financial crisis, did not buckle or weaken in the face of global financial crisis. Marxism's appeal never made it past the literature and occasional public demonstrations to applied policy because there has, heretofore, been no need for such grand structural and institutional reform anywhere in the western world. When Belarus faced its own financial crisis, it first turned wholly towards LOLRs and promised reforms that would increase its dependence on the global market. When it largely ignored its promises, its problems persisted. In the current interdependent world, the literature on Marx's solutions no longer provides answers, or even viable suggestions.

7. Conclusion

When Belarus's leadership—notoriously skeptical of Western reforms and outside intervention by even its allies—is willing to promise market-based reforms in times of financial crisis to qualify for much-needed liquidity, it should be little wonder that the Marxist advice espoused in the thick of the financial crisis has been largely ignored by policymakers. When Belarus ignored its promises and sunk further from recovery, it lends credence that reform away from market-based capitalism is not effective in the globalized economy. By examining the case of Belarus, it is possible to see how international LOLRs not only maintain current systems' status quo, but can also compel a state to desire greater integration to the global market. Belarus' continued struggles as a result of ignoring the reforms show further that closing oneself off frrm the global market and attempting does not provide relief. The existing Marxist-leaning literature, by ignoring the situation in Belarus, fails to see the game-changing impact that, among other factors, strong LOLRs have in maintaining current market-based practices. Predictions of protests-cum-reform, a change to the global order, and a movement away from market-based, profit-seeking practices will continue to come up short as long as there are viable mechanisms—including international LOLRs—to keep the current systems afloat.

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